

COALVILLE CITY

**Annual Financial Report
Fiscal Year Ended June 30, 2006
(With Accountants' Report Therein)**

COALVILLE CITY

Table of Contents

Financial Section:

Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Fund Financial Statements:	
Statement of Net Assets	9
Statement of Activities	11
Government Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Government Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Governmental Funds to the Statement of Activities	15
Proprietary Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Net Asset	
Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to the Financial Statements	19

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund	35
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Supplementary Information:

Governmental Funds	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Governmental Funds	38
Budgetary Comparison Schedules:	
Special Revenue Fund – Nonmajor	39
Permanent Fund (Cemetery Care Fund)	40
Capital Improvement Fund	41

Auditors' Opinion on State Compliance	42
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of	
Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Schedule of Impact Fees	44



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

INDEPENDENT AUDITORS' REPORT

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The Honorable Mayor and Members of City Council
Coalville City
Coalville City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coalville City (the City), as of and for the year ended June 30, 2006, which collectively comprises the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, such basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Required Supplementary Budgetary Comparison Information listed in the foregoing table of contents are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary budget schedules and combining schedules, and schedule of impact fees described in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget schedules and combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

Karren Hendrix Stagg Allen & Company
Karren, Hendrix, Stagg, Allen & Company
September 20, 2006

CERTIFIED PUBLIC ACCOUNTANTS

COALVILLE CITY

Management's Discussion and Analysis June 30, 2006

Coalville City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2006. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The assets of Coalville City exceeded its liabilities at the end of the current fiscal year by \$6,947,721 (net assets). Of this amount, \$1,951,979 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets decreased by \$112,687.

The City's governmental funds reported a combined ending fund balance of \$1,661,911. Of the combined total fund balance, \$1,194,458 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the general fund at June 30, 2006, totaled \$205,758 and is 33.93% of the general fund total revenues for the year. Total debt for Coalville City decreased approximately \$158,670. The City did not issue new bonds.

The City has made a commitment to fix a retaining dam in the special improvement district.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Coalville City's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide Financial Statements give readers a broad overview of the entire City's financial position, and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of net assets shows Coalville City's entire assets and liabilities with the difference shown as net assets. Increases or decreases over time in net assets gives an indicator as to whether the financial condition of Coalville City is improving or declining.

The statement of activities shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for Coalville City include general government, administration, streets, cemetery, and other departments. The business-type activities include water and sewer.

The government-wide financial statements include Coalville City itself and the Municipal Building Authority which is a legally separate entity from the City, but for all practical purposes function as a

part of the City and are therefore blended as an integral part of the primary government. The government-wide financial statements are found immediately following this discussion and analysis.

Fund Financial Statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Coalville City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds and proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements to aid in the comparison.

Coalville City uses two different individual government funds. Of this number, information is shown separately for the general and capital improvements fund, all of which are deemed major funds. Information from the other funds is presented in a single combined column. Individual presentations for these nonmajor funds are contained in individual information shown after the notes to the financial statements as listed in the table of contents. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Within the proprietary funds is the enterprise fund, which is one type of fund that Coalville City utilizes. The enterprise fund reports the same functions as the business-type activities in the government-wide financial statements. The enterprise fund maintained by Coalville City is the water and sewer utility.

Proprietary funds present the same information as in the government-wide statements, but in more detail. The water and sewer utility fund is considered to be a major fund of Coalville City.

Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

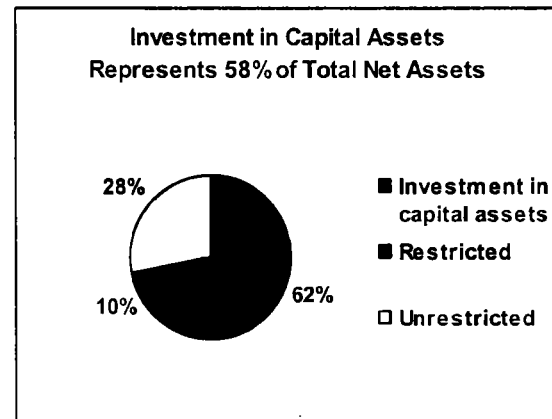
The combining statements referred to earlier for nonmajor governmental funds are contained in this report immediately following the Notes to the Financial Statements and Required Supplementary Information as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

COALVILLE CITY'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 1,635,400	\$ 1,663,934	\$ 227,588	\$ 59,826	\$ 1,862,988	\$ 1,723,760
Noncurrent assets	268,434	265,116	213,992	330,586	482,426	595,702
Capital assets	5,103,368	5,038,766	5,586,990	5,443,697	10,690,358	10,482,463
Other assets	756,648	779,927	32,676	259,138	789,324	1,039,065
Total assets	\$ 7,763,850	\$ 7,747,743	\$ 6,061,246	\$ 6,093,247	\$ 13,825,096	\$ 13,840,990
Current liabilities	\$ 271,887	\$ 258,304	\$ 134,722	\$ 140,081	\$ 406,609	\$ 399,385
Noncurrent liabilities	3,927,217	3,811,490	2,543,549	2,627,057	6,470,766	6,438,547
Total liabilities	4,199,104	4,069,794	2,678,271	2,767,138	6,877,375	6,837,932
Net assets						
Investment in capital assets, net of related debt	1,343,952	1,179,657	2,970,345	2,728,818	4,314,297	3,908,475
Restricted	467,453	459,744	213,992	330,586	681,445	790,330
Unrestricted	1,753,341	2,037,548	198,638	266,705	1,951,979	2,304,253
Total net assets	3,564,746	3,676,949	3,382,975	3,326,109	6,947,721	7,003,058
Total liabilities and net assets	\$ 7,763,850	\$ 7,746,743	\$ 6,061,246	\$ 6,093,247	\$ 13,825,096	\$ 13,840,990

By far, the largest component of Coalville City's net assets is its investment in capital assets. The 62% of total net assets represents the City's investment in land and land improvements, buildings, machinery and equipment, roads, streetlights, and bridges, less any related outstanding debt that was used to acquire these assets. Coalville City uses these capital assets to provide services to citizens who live, work, pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.



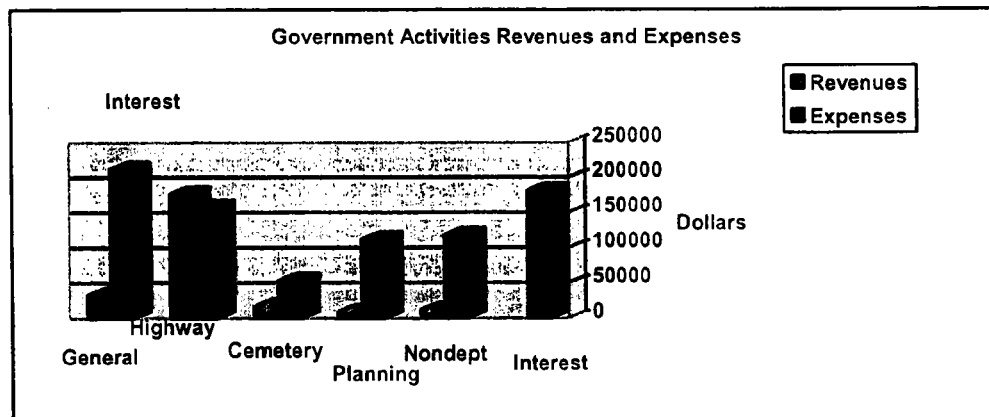
An additional part of net assets (10%) are assets that are subject to external restrictions on how they may be expended. The remaining 28% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

COALVILLE CITY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
REVENUES				
Charges for services	\$ 55,408	\$ 83,970	\$ 489,037	\$ 559,760
Operating grants and contributions	71,135	58,317	-	-
Capital grants and contributions	122,122	128,401	88,802	78,321
General Revenues:				
Property taxes, levied for general purposes	251,490	225,901	-	-
Franchise taxes	8,063	8,395	-	-
Sales taxes	185,212	166,076	-	-
Other revenues	5,802	63,459	125	(1,960)
Investment earnings	81,606	60,996	11,526	9,345
Total revenues	<u>780,838</u>	<u>795,515</u>	<u>589,490</u>	<u>645,466</u>
EXPENSES				
General government	211,839	174,040	-	-
Highway and streets	157,728	126,896	-	-
Cemetery	53,270	55,800	-	-
Planning and zoning	112,764	62,955	-	-
Nondepartmental	118,486	9,596	-	-
Interest on long-term debt	181,604	355,103	-	-
Water & Sewer	-	-	589,974	550,360
Total expenses	<u>835,691</u>	<u>784,390</u>	<u>589,974</u>	<u>550,360</u>
Transfers	<u>(57,350)</u>	<u>-</u>	<u>57,350</u>	<u>-</u>
CHANGES IN NET ASSETS	(112,203)	11,125	56,866	95,106
NET ASSETS, JULY 1, 2005	<u>3,676,949</u>	<u>3,665,824</u>	<u>3,326,109</u>	<u>3,231,003</u>
NET ASSETS, JUNE 30, 2006	<u>\$ 3,564,746</u>	<u>\$ 3,676,949</u>	<u>\$ 3,382,975</u>	<u>\$ 3,326,109</u>

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental Activities net assets decreased by \$112,203 for the year ended June 30, 2006. Governmental activities contributed to 98% of the increase in total City net assets during the year. The major source for the increase resulted from the City's levied property taxes and sales taxes which were enough to cover all primary government expenditures. The City also collected various other taxes and revenues above the amount needed for governmental activities.



Business-type activities contributed an increase of \$56,866 to net assets. The most significant reason for this increase in business-type activities is capital grants of \$88,802. The City also received \$93,132 in invested earnings during the year for business-type activities.

FINANCIAL ANALYSIS OF COALVILLE CITY'S FUNDS

Coalville City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2006.

For the period ended June 30, 2006, the City's governmental funds reported combined net assets in the amount of \$1,661,911 with a decrease of \$37,009, compared with the prior fiscal year. Of the total balance at year-end, \$1,194,458 is unreserved and undesignated. There is also an amount of \$375,559 designated for capital projects. Of the remaining \$91,894 of combined net assets, \$52,094 is reserved for servicing the City's debt, with the remaining \$39,800 being reserved for other City items.

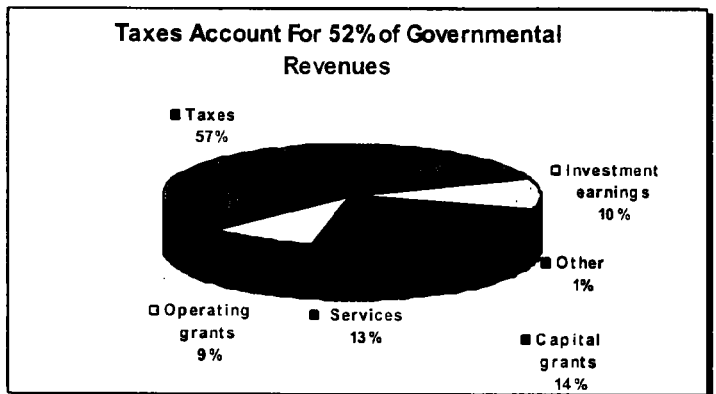
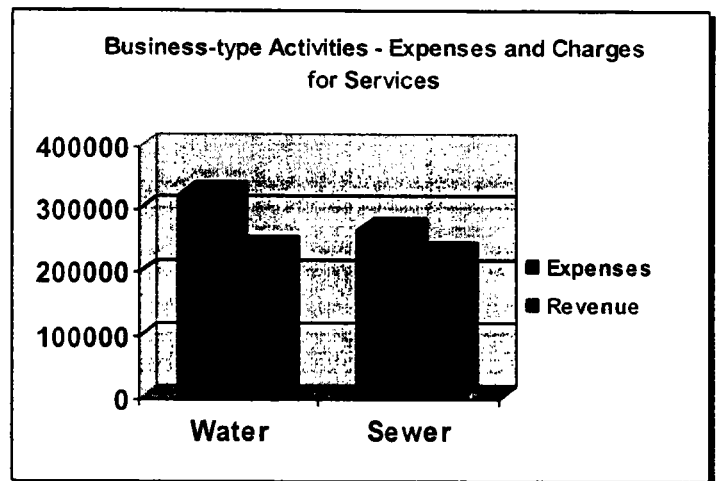
The general fund is the main operating fund for Coalville City. At June 30, 2006, the general fund's unreserved fund balance was \$205,758, while total fund balance equaled \$298,885. Total fund balance of the general fund for Coalville City increased by \$103,143. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year.

The capital projects fund had a total fund balance of \$988,702 at June 30, 2006, all of which is either reserved for capital improvements or designated for other purposes. The net decrease in fund balance for the year amounted to \$150,334.

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary fund totaled \$198,638. Discussions about the finances of this fund are addressed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets for the general fund amounted to a total increase in appropriations of \$11,123. Of the total increase in expenditure budgets, \$11,123 was funded from increases in revenue estimates. An additional \$28,271 was transferred from the general fund to the capital projects fund.



CAPITAL ASSET AND DEBT ADMINISTRATION

Coalville City's investment in capital assets for its governmental and business type activities combined, totaled \$10,690,358 (net of \$3,529,386 accumulated depreciation) at June 30, 2006. Types of assets included in this category are land and water rights, buildings and related improvements, vehicles, machinery and equipment, roads (including curb and gutter), street lights, traffic signals, water and waste water distribution and collection systems, and construction in progress of \$3,176,626. The City's investment in net capital assets equals nearly 77% of total assets. Governmental activities net capital assets to governmental activities assets equaled 65%, while business-type activities percentage was 92%.

Major capital asset activities that occurred during the past fiscal year include:

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 96,517	\$ 96,517	\$ 68,300	\$ 10,950
Water shares and rights	-	-	207,441	201,740
Easements and right of way	35,955	21,075	11,400	11,400
Infrastructure	2,168,232	2,064,281	-	-
Buildings	526,704	526,704	4,815	4,518
Improvements other than buildings	48,666	48,666	7,546,475	7,273,898
Vehicles	34,707	38,707	7,611	-
Machinery and equipment	90,565	81,679	195,730	201,795
Construction in progress	3,072,835	3,043,830	103,791	93,354
Accumulated depreciation	(970,813)	(882,193)	(2,558,573)	(2,353,958)
Net book value	<u>\$ 5,103,368</u>	<u>\$ 5,039,266</u>	<u>\$ 5,586,990</u>	<u>\$ 5,443,697</u>

At June 30, 2006, Coalville City's total debt amounted to \$3,543,624 of which \$2,606,208 was incurred by the City's business-type activities and the remaining \$468,708 incurred by the City's governmental units. The bulk, \$3,543,624, or 100% of the City's debt is known as revenue bonds and is secured by specific revenue sources (i.e. property taxes, and water and sewer revenues). The remaining debt balance is secured by various general fixed assets owned by the City.

Additional information on Coalville City's capital assets and debt can be found in Note 3 in the Notes to the City's Basic Financial Statements.

Coalville City's Outstanding Debt General Obligation and Revenue

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenue bonds	\$ 132,000	\$ 171,000	\$ 2,596,813	\$ 2,699,813	\$ 2,728,813	\$ 2,870,813
Warrants	3,505,509	3,338,202	-	-	3,505,509	3,338,202
Bonds secured by general fixed assets	338,906	349,907	9,395	15,066	348,301	364,973
Total	<u>\$ 3,976,415</u>	<u>\$ 3,859,109</u>	<u>\$ 2,606,208</u>	<u>\$ 2,714,879</u>	<u>\$ 6,582,623</u>	<u>\$ 6,573,988</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of July 2006, the state unemployment rate was 4.8%, down from 6.2% the previous year. This is consistent with the nationwide decrease in unemployment rates as the economy continues to recover. Currently, Coalville City is experiencing a similar economic pick-up consistent with the rest of the nation. The City has some subdivisions that could bring in more property taxes in future years since the land was previously farm property subject to greenbelt provisions. The rates and fees for most services remained constant for fiscal year end 2006 compared with the fiscal year just ended.

The City has a special improvement district that is in dispute with developers. If the developer defaults on the Improvement District, the City will not be responsible for the warrants issued, but may lose the note receivable from the contract on the land sold to the developer.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of Coalville City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Coalville City, 10 North Main Street, Coalville City, Utah, 84017.

COALVILLE CITY

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents			
Restricted	\$ 216,276	\$ -	\$ 216,276
Unrestricted	1,125,942	132,512	1,258,454
Receivables			
Property, franchise, and excise taxes	269,903	-	269,903
Current portion contract receivables	23,279	-	23,279
Accounts, less allowance for doubtful accounts of \$3,522	-	55,076	55,076
Inventories	-	40,000	40,000
Total current assets	<u>1,635,400</u>	<u>227,588</u>	<u>1,862,988</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	<u>268,434</u>	<u>213,992</u>	<u>482,426</u>
Capital Assets not being depreciated			
Land	96,517	68,300	164,817
Water shares and water rights	-	207,739	207,739
Construction in progress	3,072,835	103,791	3,176,626
Easements and right of way (land under roads)	35,955	11,400	47,355
Capital assets (net of depreciation)			
Infrastructure	1,315,706	-	1,315,706
Buildings	427,600	1,638	429,238
Improvements other than buildings	130,876	5,172,529	5,303,405
Vehicles	1,777	6,850	8,627
Machinery and equipment	22,102	14,743	36,845
Net property and equipment	<u>5,103,368</u>	<u>5,586,990</u>	<u>10,690,358</u>
Other noncurrent assets			
Bond issue costs, less accumulated amortization of \$14,034	-	30,876	30,876
Loans and other long-term receivables	539,648	1,800	541,448
Assets held for investment	217,000	-	217,000
Total other noncurrent assets	<u>756,648</u>	<u>32,676</u>	<u>789,324</u>
Total assets	<u>\$ 7,763,850</u>	<u>\$ 6,061,246</u>	<u>\$ 13,825,096</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Statement of Net Assets, Continued June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 16,426	\$ 24,043	\$ 40,469
Current portion of long-term debt payable from restricted assets	51,000	85,926	136,926
Accrued liabilities	2,523	1,708	4,231
Deferred income	199,696	-	199,696
Accrued interest, payable from restricted assets	2,242	23,045	25,287
Total current liabilities	<u>271,887</u>	<u>134,722</u>	<u>406,609</u>
NONCURRENT LIABILITIES			
Deposits, advance rentals, and long term accruals	-	14,508	14,508
Long-term compensation liability	1,801	8,759	10,560
Bonds payable	419,907	2,520,282	2,940,189
Warrants payable	3,505,509	-	3,505,509
Total noncurrent liabilities	<u>3,927,217</u>	<u>2,543,549</u>	<u>6,470,766</u>
Total liabilities	<u>\$ 4,199,104</u>	<u>\$ 2,678,271</u>	<u>\$ 6,877,375</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	\$ 1,343,952	\$ 2,970,345	\$ 4,314,297
Restricted for:			
Capital assets	199,018	-	199,018
Bond reserve funds	52,094	213,992	266,086
Other restricted	216,341	-	216,341
Unrestricted	1,753,341	198,638	1,951,979
Total net assets	<u>3,564,746</u>	<u>3,382,975</u>	<u>6,947,721</u>
Total liabilities and net assets	<u>\$ 7,763,850</u>	<u>\$ 6,061,246</u>	<u>\$ 13,825,096</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Statement of Activities Year Ended June 30, 2006

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Government Activities	Business- Type Activities
PRIMARY GOVERNMENT						
Government activities						
General government	\$ 211,839	\$ 21,288	\$ -	\$ 11,832	\$ (178,719)	\$ (178,719)
Highway and streets	157,728	6,000	60,158	110,779	19,209	19,209
Cemetery	53,270	8,065	9,230	-	(35,975)	(35,975)
Planning and zoning	55,413	9,545	-	-	(45,868)	(45,868)
Nondepartmental	175,837	10,510	1,747	5,280	(158,300)	(158,300)
Interest on long-term debt	181,604	-	-	-	(181,604)	(181,604)
Total government activities	835,691	55,408	71,135	127,891	(581,257)	(581,257)
Business-type activities						
Water and sewer	589,974	489,037	-	88,802	-	(12,135)
Total business-type activities	589,974	489,037	-	88,802	-	(12,135)
Total primary government	\$ 1,425,665	\$ 544,445	\$ 71,135	\$ 216,693	(581,257)	(593,392)
General revenues						
Taxes						
Property taxes, levied for general purposes					251,490	251,490
Franchise taxes					8,063	8,063
Sales taxes					185,212	185,212
Disposal of fixed assets					33	158
Investment earnings					81,606	93,132
Transfers					(57,350)	-
Total general revenues					469,054	538,055
Changes in net assets					(112,203)	(55,337)
NET ASSETS, JULY 1, 2005					3,676,949	7,003,058
NET ASSETS, JUNE 30, 2006					\$ 3,564,746	\$ 6,947,721

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Balance Sheet Governmental Funds June 30, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 137,243	\$ 988,700	\$ -	\$ 1,125,943
Receivables				
Property, franchise, and excise tax	269,903	-	-	269,903
Loans and other receivables, less allowance for doubtful loans of \$0	-	562,927	-	562,927
Restricted assets				
Cash and cash equivalents	110,384	-	374,326	484,710
Total assets	<u>\$ 517,530</u>	<u>\$ 1,551,627</u>	<u>\$ 374,326</u>	<u>\$ 2,443,483</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 16,426	\$ -	\$ -	\$ 16,426
Accrued liabilities	2,523	-	-	2,523
Deferred revenue	199,696	562,927	-	762,623
Total liabilities	<u>218,645</u>	<u>562,927</u>	<u>-</u>	<u>781,572</u>
FUND BALANCES				
Unreserved, designated for capital improvements	205,758	988,700	-	1,194,458
Unreserved and undesignated	-	-	-	-
Reserved for:				
Class C road	39,800	-	-	39,800
Bond sinking funds	52,094	-	-	52,094
Other purposes	1,233	-	374,326	375,559
Total fund balances	<u>298,885</u>	<u>988,700</u>	<u>374,326</u>	<u>1,661,911</u>
Total liabilities and fund balances	<u>\$ 517,530</u>	<u>\$ 1,551,627</u>	<u>\$ 374,326</u>	<u>\$ 2,443,483</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2006

Total Fund Balance \$ 1,661,911

Total net assets reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. Those
assets consist of:

Land	\$ 96,517	
Right of way land under roads	35,955	
Infrastructure	2,064,280	
Buildings	526,704	
Improvements, other than buildings	152,617	
Equipment	90,566	
Construction in progress	3,072,835	
Vehicles	34,707	
Less accumulated depreciation	(970,813)	
Total capital assets		5,103,368

Some assets used in governmental activities are not financial
resources and are not listed as depreciable assets. 217,000

Some of the City contract revenue is recorded as deferred
revenue on the fund statements and recorded as revenue
in the government wide statements. 562,927

Long-term liabilities applicable to the City's governmental
activities are not due and payable in the current period, and
accordingly, are not reported as fund liabilities. Interest on
long-term debt is not accrued in governmental funds, but
rather as an expenditure when due. All liabilities, both
current and long-term, are reported in the statements of net
assets.

Accrued liabilities		
Obligation for compensation liabilities due after one year	(1,801)	
Accrued interest on bonds	(2,242)	
Current portion of long-term debt	(51,000)	
Bonds payable	(419,908)	
Warrants payable	(3,505,509)	
Total liabilities		(3,980,460)

Total net assets of governmental activities \$ 3,564,746

COALVILLE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2006

	General	Capital Projects	Other Governmental Funds	Totals
REVENUES				
General property taxes	\$ 251,490	\$ -	\$ -	\$ 251,490
Sales, use, and excise taxes	185,212	-	-	185,212
Franchise taxes	8,064	-	-	8,064
Licenses	10,590	-	-	10,590
Permits	15,545	-	-	15,545
Interest	38,262	36,759	15,814	90,835
Intergovernmental	67,289	-	-	67,289
Charges for services	7,735	-	6,098	13,833
Rents	5,390	-	-	5,390
Contributions	6,832	-	-	6,832
Grants	3,850	-	-	3,850
Miscellaneous	6,024	33,620	-	39,644
Total revenues	<u>606,283</u>	<u>70,379</u>	<u>21,912</u>	<u>698,574</u>
EXPENDITURES				
Current:				
Administration	202,909	-	-	202,909
Highway and streets	99,081	-	-	99,081
Cemetery	62,355	-	-	62,355
Planning and zoning	55,414	-	-	55,414
Other departments	-	-	-	-
Capital outlay	-	251,484	-	251,484
Debt service:				
Principal	50,000	-	-	50,000
Interest and other fiscal charges	14,340	-	-	14,340
Total expenditures	<u>484,099</u>	<u>251,484</u>	<u>-</u>	<u>735,583</u>
Revenues over expenditures	<u>122,184</u>	<u>(181,105)</u>	<u>21,912</u>	<u>(37,009)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	9,230	30,771	-	40,001
Operating transfers out	(28,271)	-	(11,730)	(40,001)
Total other financing	<u>(19,041)</u>	<u>30,771</u>	<u>(11,730)</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	<u>103,143</u>	<u>(150,334)</u>	<u>10,182</u>	<u>(37,009)</u>
FUND BALANCE, JULY 1, 2005	<u>195,741</u>	<u>1,139,036</u>	<u>364,143</u>	<u>1,698,920</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 298,884</u>	<u>\$ 988,702</u>	<u>\$ 374,325</u>	<u>\$ 1,661,911</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Funds Balances - Governmental Funds to the Statement of Activities Year Ended June 30, 2005

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (37,009)

The change in net assets reported for governmental activities
in the statement of activities is different because:

Governmental funds reports capital outlays as expenditures.

However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital
outlay (\$56,706) is less than depreciation expense (\$98,731).

(42,025)

Capital contributions are recorded in the government wide statements
and are not recorded in the individual fund statements.

106,440

Repayment of principal is an expenditure in the governmental
funds but reduces the liability in the statement of net assets.

50,000

Some expenses reported in the statement of activities do not
require the use of current financial resources, and therefore,
are not reported as expenditures in governmental funds.

This adjustment is as follows:

Compensated absences

\$ 580

Accrued interest

(167,264)

(166,684)

In the statement of activities, only the gain on the original sale
of land is reported, whereas in the governmental funds, the
proceeds from the sale increase financial resources.

(21,858)

In the statement of activities only the gain on sale of equipment
is recorded whereas in the governmental funds the proceeds
are recorded.

(1,067)

Change in net assets of governmental activities

\$ (112,203)

COALVILLE CITY

Statement of Net Assets Proprietary Funds June 30, 2006

	Business-type Activities Water/Sewer
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ -
Unrestricted	132,512
Receivables	
Accounts, less allowance for doubtful accounts of \$3,522	55,076
Inventory	40,000
Total current assets	<u>227,588</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>213,992</u>
Property and equipment, at cost	
Land	68,300
Easements	11,400
Water shares and rights	207,739
Buildings	4,518
Improvements, other than buildings	7,546,476
Machinery and equipment	195,730
Work in process	103,791
Vehicle	7,611
Accumulated depreciation	(2,558,575)
Net property and equipment	<u>5,586,990</u>
Bond issue costs, less accumulated amortization of \$14,034	30,876
Long-term receivables	1,800
Total noncurrent assets	<u>32,676</u>
Total assets	<u>\$ 6,061,246</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 24,043
Current portion of long-term debt payable from restricted assets	85,926
Accrued liabilities	1,708
Other liabilities payable from restricted assets	23,045
Total current liabilities	<u>134,722</u>
NONCURRENT LIABILITIES	
Deposits, advance rentals, and long term accruals	14,508
Long-term compensation liability	8,759
Bonds payable	2,520,282
Total noncurrent liabilities	<u>2,543,549</u>
Total liabilities	<u>\$ 2,678,271</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ 2,970,345
Restricted for:	
Debt service	213,992
Unrestricted	198,638
Total net assets	<u>3,382,975</u>
Total liabilities and net assets	<u>\$ 6,061,246</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds Year Ended June 30, 2006

	Business-type Activities Water/Sewer
OPERATING REVENUE	
Sales and charges for services	\$ 489,037
Total operating revenue	<u>489,037</u>
OPERATING EXPENSES	
Personal services	188,766
Supplies	110,199
Utilities	32,000
Depreciation and amortization	214,206
Total expenses	<u>545,171</u>
Operating income	<u>(56,134)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	11,526
Sale of assets	125
Other income	462
Interest expense	(44,803)
Total nonoperating revenues (expenses)	<u>(32,690)</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	145,690
Total capital contributions	<u>145,690</u>
Increase in net assets	56,866
NET ASSETS, JULY 1, 2005	<u>3,326,109</u>
NET ASSETS, JUNE 30, 2006	<u>\$ 3,382,975</u>

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2006

	Business- Activities Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 507,030
Payments to suppliers	(124,224)
Payments to employees	(188,444)
Net cash provided by operating activities	<u>194,362</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(45,069)
Proceeds from sale of assets	125
Principal paid on bonds	(108,671)
Interest paid on bonds	(43,108)
Net cash used in capital and related financing activities	<u>(196,723)</u>
Cash flows from investing activities	
Investment earnings	<u>11,526</u>
Net cash used in investing activities	<u>11,526</u>
Net increase in cash and cash equivalents	9,165
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>337,339</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 346,504</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	<u>\$ (56,134)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	\$ 214,206
Increase (decrease) due to changes in:	
Accounts receivable	20,586
Inventory	(5,000)
Accounts payable	18,182
Accrued liabilities affecting operating activities	2,200
Other liabilities	<u>322</u>
Net cash provided by operating activities	<u>\$ 194,362</u>
NONCASH CAPITAL FINANCING ACTIVITIES	
Capital assets of \$145,690 were acquired through contributions from developers and capital assets contributed from other funds	

The accompanying notes are an integral part of this statement.

COALVILLE CITY

Notes to the Financial Statements June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Coalville City was incorporated September 1, 1899. The City operates under a mayor-council form of government and provides the following services authorized by its charter: public safety, highways and streets, sanitation, recreation, planning and zoning, and general administrative.

Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds, agencies, and authorities for which the City holds corporate powers, and all component units for which the City is financially accountable. The Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*, has established criteria to consider in determining financial accountability. The criteria are: appointment of a majority of the voting members of an organization's governing board, and either (1) the City has the ability to impose its will on the organization or (2) there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As required by Generally Accepted Accounting Principles (GAAP) these financial statements represent Coalville City, the primary government, and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

The Coalville Municipal Building Authority is a legally separate entity from the City, but is part of the City and is blended into the general fund. The sole purpose of the Municipal Building Authority is to serve the City as a financing agency for debt-financed projects. The Coalville City Council serves as the Board of Directors of the Municipal Building authority.

Basis of Presentation – Government-Wide and Fund Financial Statements

Government-wide statements are comprised of the statement of net assets and the statement of activities. They contain information on all of the activities of the primary government and its component. Most effects of interfund activities have been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues, while business-type activities receive a significant portion of revenues from fees and charges for services.

The statement of activities is presented to show the extent that program revenues of a given activity support direct expenses. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenues are: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given activity, or (2) grants or other contributions that are restricted to operations or capital needs of a specific activity. General revenues are those revenues like taxes and other items that are not properly reported as program revenues. Indirect expense allocated between departments is related to depreciation on assets. The depreciation expense is allocated based on the use of the asset by the departments.

Separate financial statements are included for governmental fund and proprietary funds. Major individual governmental funds are reported in separate columns in the governmental funds statements, as are major individual proprietary funds in the proprietary funds statements.

Measurement Focus and Basis of Accounting

Measurement focus refers to the types of assets that appear on the statement of net assets and changes to those same assets which appear on the statement of activities. The flow of financial resources measurement focus shows current assets and liabilities on the statement of net assets and changes to net current assets in the statement of activities. The flow of economic resources measurement focus shows total assets and liabilities on the statement of net assets and changes to net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-Wide and Proprietary Fund Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of the timing of the related cash flows. Unbilled fees for proprietary funds are recorded as receivables at year end. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar other contributions are recognized as revenue as soon as the eligibility requirements of the provider have been met.

Coalville City's major enterprise fund is the water and sewer fund. The fund collects fresh water from springs and wells, treats it, and delivers potable water to nearly all residents and businesses located in the City, and many residents and businesses located geographically outside the boundaries of the City. The City has its own sewer plant. The City collects fees from customers located within, and some customers located outside, the City limits for services.

Proprietary funds separate operating and nonoperating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are fees charged to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses, and depreciation on capital assets. All other revenues or expenses are recorded as nonoperating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

Governmental Fund Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. As a practical matter, Coalville City uses 60 days as a cutoff for meeting the available criterion. Property taxes are considered "measurable" when levied, and available when collected and held by Summit County. Any amounts not available are recorded as deferred revenue. Franchise taxes are considered "measurable" when collected and held by the utility company, and are recognized as revenue at that time. Other revenues that are determined to be susceptible to accrual include grants earned and other intergovernmental revenues, charges for services, and assessments. Property taxes and assessments are recorded as receivables when levied or assessed. However, they are reported as deferred revenue until the "available" criterion has been met. Sales and use taxes collected by the state and remitted to the City within the

"available" time period are recognized as revenue. Revenues collected in advance are deferred and recognized in the period to which they apply.

Revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period (60 days), or are not objectively measurable, include licenses, permits, and miscellaneous revenues. Revenue is recognized when cash is received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, except for long-term obligations (debt service payments and long term compensated absences) and related interest which are recognized as expenditures when due. Inventories of supplies are expended when purchased.

Coalville City has two major governmental funds; the General Fund and the Capital Projects Fund. The General Fund is the main operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The capital projects fund accounts for resources dedicated to the construction or improvement of capital assets. These constructed or improved capital assets are for the benefit of any or all governmental funds. In addition to the listed major governmental funds, the City also has a total of two nonmajor governmental funds: (1) the Special Revenue Fund – impact fees and (2) the Cemetery Care Fund – a permanent fund.

Budgets and Budgetary Accounting

Budgets are legally required for governmental funds. Annual budgets are prepared and adopted by the City Council on or before June 15 for the fiscal year commencing the following July 1, in accordance with Utah State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 15, a public hearing is conducted to obtain taxpayer input. Budgets are adopted by ordinance in total for each department. Expenditures cannot exceed appropriations at the department level. Management can move budgeted amounts from one line item to another within a department or decrease appropriations. The City Council can increase appropriations after holding a public hearing.

The governmental funds budget is prepared using the modified accrual basis of accounting. Governmental appropriations lapse at year-end.

Cash, Cash Equivalents, and Investments

The City complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The City's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The City's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements, the City considers all highly liquid investments, (including restricted assets) that mature within ninety days or less when purchased, to be cash equivalents.

Depreciable Fixed Assets

Fixed assets are valued at historical cost or estimated historical cost for assets where actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City has a capitalization threshold of \$1,000 for infrastructure in the public right of way and \$500 for all other assets. The City follows GAAP by capitalizing a portion of its interest costs (net of any interest earned on related interest bearing investments acquired with proceeds of related tax-exempt borrowings) as a cost of constructed property and equipment in enterprise funds. Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Improvements other than buildings	5 - 40
Machinery and equipment, including leased property under capital leases	5 - 40
Infrastructure in public way, including roads, signals, lights, and bridges	25 - 40
Water and sewer lines	30 - 40
Vehicles	5

Bond Insurance Costs and Amortization

Amortization of bond issue costs and bond discounts are computed on the straight-line method over the life of the related bonds

Property Taxes

Ad valorem (based on value) property taxes constitute a major source of general fund revenue. Taxes are levied through the passage of an ordinance in June of each year. The levy is applicable to only one year. All taxable property is required to be assessed and taxed at a uniform and equal rate on the basis of its fair market value. The Summit County Assessor is required to assess all other taxable property, and both entities are required to assess the respective types of property as of January 1, the assessment date. The County is then required to complete the tax rolls by May 15. By July 21, the County Treasurer is to mail assessed value and tax notices to property owners. Then a taxpayer may petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by November 1 and on this same date the Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30, and delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bear interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis. With the July 1, 2000, adoption of Statement of Governmental Accounting Standards (SGAS) No. 33, more fully described below, Coalville City changed its accounting for property taxes.

SGAS No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, defines a nonexchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange, or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), Coalville City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2006. Since the government-wide statements use the accrual basis of accounting, the government activities records both the receivable and the property tax revenue as of January 1, 2006, even though most of them will not be received until the following fiscal year.

Interfund Transactions

In the normal course of its operations, the City has various transactions between funds. Transfers are recognized as operating transfers in and out, respectively, by the funds receiving and providing the transfer.

Long-term Liabilities

Long-term liabilities that will be financed from governmental funds are accounted for in the governmental activities portion of the government-wide statements, while those of proprietary funds are accounted for in their respective funds.

Use of Restricted Funds

The City has funds with various restrictions. When an expense is incurred which meets the requirements to release the restriction, such restricted funds are first used to satisfy the expense followed by any unrestricted funds needed to satisfy the expense.

Contributions

Certain proprietary fund types receive contribution for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as nonoperating revenue. With the adoption of GASB No. 34, amounts that were contributed in prior years, and were shown as contributed capital, have been reclassified to part of the beginning net assets. Capital assets purchased by the General Fund for Enterprise activities are shown as contributions in the individual enterprise funds and as transfers in the government wide statements.

Compensated Absences

The City compensates employees for unused vacation and compensation time. Sick pay is not paid to employees upon termination. Accumulated unpaid amounts are accrued when incurred in the government-wide funds. The proprietary fund includes accrued vacation pay in their financial statements.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the general and capital projects funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories of supplies for the proprietary fund consist principally of items used in repairing and maintain the water and sewer distribution system. Inventories are valued at cost using the first-in, first-out (FIFO) method.

2. COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN

Coalville City contributes to the Local Governmental Contributory Retirement Systems and the Local Governmental Noncontributory Retirement Systems administered by the Utah Retirement Systems. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems is established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issues a publicly available financial report that includes financial statements and required supplementary information from the Local Governmental Contributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102, or by calling 1(800) 365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Coalville City is required to contribute 8.69% of the annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Coalville City's contributions to the Local Governmental Contributory and Noncontributory Retirements Systems for the years ended June 30, 2006, 2005, and 2004, were as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Noncontributory salaries	\$ 192,956	\$ 182,445	\$ 167,198
Noncontributory employer contributions	21,399	20,235	16,084
401(k) contributions			
Employer	9,166	8,758	11,456
Employee contributions	2,056	2,948	2,353

These contributions were equal to the required contributions for each year.

3. CAPITAL ASSETS

The following schedule summarizes the changes in capital assets for governmental and business type activities during the year ended June 30, 2006.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Nondepreciated assets				
Land	\$ 96,517	\$ -	\$ -	\$ 96,517
Right of way (land under roads)	21,075	14,880	-	35,955
Work in process	3,043,830	29,005	-	3,072,835
Total nondepreciated assets	<u>3,161,422</u>	<u>43,885</u>	<u>-</u>	<u>3,205,307</u>
Depreciated assets				
Buildings	526,704	-	-	526,704
Improvements	48,666	-	-	48,666
Equipment	81,679	16,064	(7,178)	90,565
Infrastructure	2,064,281	103,951	-	2,168,232
Vehicles	38,707	-	(4,000)	34,707
Total depreciated assets	<u>2,760,037</u>	<u>120,015</u>	<u>(11,178)</u>	<u>2,868,874</u>
Less accumulated depreciation				
Buildings	(85,936)	(13,167)	-	(99,103)
Improvements	(17,915)	(3,261)	-	(21,176)
Equipment	(70,512)	(5,130)	7,178	(68,464)
Infrastructure	(674,207)	(74,933)	-	(749,140)
Vehicles	(33,623)	(2,240)	2,933	(32,930)
Total depreciation	<u>(882,193)</u>	<u>(98,731)</u>	<u>10,111</u>	<u>(970,813)</u>
Net assets depreciated	<u>1,877,844</u>	<u>120,015</u>	<u>(11,178)</u>	<u>2,868,874</u>
Total governmental activities	<u>4,157,073</u>	<u>65,169</u>	<u>(1,067)</u>	<u>5,103,368</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	10,950	57,350	-	68,300
Water rights	201,740	5,701	-	207,441
Work in process	93,354	10,437	-	103,791
Easements	11,400	-	-	11,400
Total nondepreciated assets	<u>317,444</u>	<u>73,488</u>	<u>-</u>	<u>390,932</u>
Depreciated assets				
Buildings	4,815	-	-	4,815
Improvements	7,475,639	105,836	(35,000)	7,546,475
Vehicles	-	7,611	-	7,611
Equipment	201,795	3,525	(9,590)	195,730
Total nondepreciated assets	<u>7,682,249</u>	<u>116,972</u>	<u>(44,590)</u>	<u>7,754,631</u>
Less accumulated depreciation				
Buildings	(2,789)	(90)	-	(2,879)
Improvements	(2,164,593)	(209,353)	-	(2,373,946)
Vehicles	-	(761)	-	(761)
Equipment	(186,576)	(4,001)	9,590	(180,987)
Total depreciation	<u>(2,353,958)</u>	<u>(214,205)</u>	<u>9,590</u>	<u>(2,558,573)</u>
Net assets depreciated	<u>5,328,291</u>	<u>(97,233)</u>	<u>(35,000)</u>	<u>5,196,058</u>
Total business type assets	<u>5,645,735</u>	<u>(23,745)</u>	<u>(35,000)</u>	<u>5,586,990</u>
Total combined assets	<u>\$ 9,802,808</u>	<u>\$ 41,424</u>	<u>\$ (36,067)</u>	<u>\$ 10,690,358</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<u>DEPRECIATION EXPENSE</u>			
FUNCTION			
General government	\$ 10,792	\$ -	\$ 10,792
Highway and streets	74,858	-	74,858
Cemetery	2,376	-	2,376
Planning and zoning	-	-	-
Nondepartmental	10,705	-	10,705
Water	-	138,801	138,801
Sewer	-	75,404	75,404
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 98,731</u>	<u>\$ 214,205</u>	<u>\$ 312,936</u>

4. **RELATED PARTY TRANSACTIONS**

A member of the City Council is a board member at a local ditch company. The City owns stock in the ditch company and leases water from the company. The City paid the company \$3,793 during the year. There were no receivables or liabilities at year end from this company. The mayor, who had a garbage business, provided garbage containers for the annual clean up day. The amount paid for the service was \$5,120. There is no amount due to or from these individuals at year end.

5. LONG-TERM DEBT

Bonds payable at June 30, 2006, are comprised of the following individual issues:

	<u>Balance at 6/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2005</u>	<u>Due Within One Year</u>
<u>Long-Term Debt</u>					
GOVERNMENTAL ACTIVITIES					
\$390,000 original issue excise tax Road Bonds, series 1999. Due in quarterly installments of \$7,000, \$8,000, or \$9,000. The rate is 4.9%. The bonds are secured by Class C revenues.	\$ 171,000	\$ -	\$ 39,000	\$ 132,000	\$ 40,000
\$400,000 original issue building authority bond series 2001A and 2001B. Due in annual installments with interest of 0% to 2.5%. The bonds mature in 2032. The bonds are secured by the municipal authority building.	345,907	-	11,000	334,907	11,000
Total governmental long-term debt	516,907	-	50,000	466,907	51,000
Accrued liabilities					
Compensated absences	2,122	-	321	1,801	-
Total long-term debt and accrued liabilities	519,029	-	50,321	468,708	51,000
BUSINESS-TYPE ACTIVITIES					
Series 2001 water bonds original issue was \$2,500,000 with interest at 15%. The bonds mature in 2016 and are secured by secondary water revenue.	2,347,000	-	57,000	2,290,000	60,000
Series 1991 revenue bonds. Original issue was \$150,990 with interest at 3.5%. The bonds are secured by water revenues. The bonds mature in 2011.	64,000	-	8,000	56,000	9,000
Series 1995 bonds original issue was \$280,000 with interest at 3%. The bonds are secured by sewer revenues and mature in 2005.	28,000	-	28,000	-	-
Series 2001 sewer bonds original issue was \$280,000 with interest at 4%. The bonds are secured by sewer revenues and mature in 2022.	260,813	-	10,000	250,813	11,000
Water loan payable. Original issue \$92,059 with interest at 4.5%, payable annually. The note is secured by a water tank and matures in 2005.	15,066	-	5,671	9,395	5,926
Total business-type long-term debt	2,714,879	-	108,671	2,606,208	85,926
Accrued liabilities					
Compensation liability	8,539	220	-	8,759	-
Total business long-term debt and accrued liabilities	2,723,418	220	108,671	2,614,967	85,926
Total long-term debt and accrued liabilities	<u>\$ 3,242,447</u>	<u>\$ 220</u>	<u>\$ 158,992</u>	<u>\$ 3,083,675</u>	<u>\$ 136,926</u>

The annual debt requirement to maturity, including principal and interest as of June 30, 2006, is listed in the following table:

Year Ending June 30, 2006	Government Activities		Business Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 51,000	\$ 10,032	\$ 85,926	\$ 35,316	\$ 136,926	\$ 45,348
2008	54,000	7,911	87,470	33,694	141,470	41,605
2009	60,000	4,849	87,000	32,143	147,000	36,992
2010	11,000	3,927	92,000	30,718	103,000	34,645
2011	12,000	3,798	106,000	29,212	118,000	33,010
2012-2016	70,000	16,744	548,000	122,222	618,000	138,966
2017-2020	84,000	12,744	685,000	80,124	769,000	92,868
2021-2025	87,000	8,294	758,812	32,246	845,812	40,540
2026-2030	41,907	3,294	156,000	1,560	197,907	4,854
Totals	<u>\$ 470,907</u>	<u>\$ 71,593</u>	<u>\$ 2,606,208</u>	<u>\$ 397,235</u>	<u>\$ 3,077,115</u>	<u>\$ 468,828</u>

6. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City's funds. Cash and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 1,957,156

Cash investments and cash equivalents as of June 30, 2006, consist of the following:

Cash on hand	\$ 1,142
Deposits with financial institutions	1,147,982
Investments state treasure	<u>808,032</u>
Total cash and cash equivalents	<u>\$ 1,957,156</u>

Investments Authorized by the Utah Government Code

The City follows the requirements of the Utah Money Management Act in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution in whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investments and investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements, or invested in securities representing direct obligations of, or obligations guaranteed by, the United States government, agencies of the United States government, any state within the territorial United States of America, or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the type of authorized investments it makes. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

As of June 30, 2006, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1 Year</u>	<u>1 - 10 Years</u>	<u>More than 10 Years</u>
State of Utah Public Treasurer investment fund	\$ 808,032	\$ 808,032	\$ -	\$ -
Total investments	\$ 808,032	\$ 808,032	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that occurs when changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. In accordance with that act, the remaining term to maturity of the investments above do not exceed the period of availability of these funds.

Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act. As of June 30, 2006, the Utah Public Treasurer's investment fund was unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial Credit Risk Deposits

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy of custodial credit risk. As of June 30, 2006, \$838,473 of the \$1,141,018 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer Investment Fund has no custodial credit risk.

7. RESERVED FUND BALANCES

The City records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the descriptions and amounts of all reserves used by the City.

<u>Description</u>	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>
General fund reserved for class C roads	\$ 39,800	\$ -	\$ 39,800
Cemetery perpetual care fund (nonexpendable)	216,341	-	216,341
Special revenue impact fee	157,985	-	157,985
Capital improvements building escrow	1,233	-	1,233
Enterprise fund escrow funds for construction projects	-	-	-
Bond reserve funds	52,094	213,992	266,086

8. INTEREST EXPENSE

The proprietary fund incurred \$44,803 in interest expense of which \$44,803 was charged to expense and \$0 was capitalized. The interest expense in the proprietary fund is included in functional expense in the statement of activities. The governmental funds do not capitalize interest.

9. RESTRICTED CASH

The City has restricted cash of \$39,800 for class C roads and \$52,093 for bond reserve funds in the general fund. The perpetual care fund has \$216,341 for restricted cemetery care funds. The special revenue fund has restricted cash of \$157,985 to be used for construction. The capital improvement fund has \$18,490 for construction. The water and sewer fund has \$213,992 for construction escrow accounts and bond reserves.

10. COMMITMENTS AND SUBSEQUENT EVENTS

The City has a special improvement district that is being developed by a company. The improvement district is a business park and residential subdivision that will house several businesses and homes. The project is in progress which includes the installing of roads, curbs, gutters, and utilities on land the City sold to the developer. The construction project is financed by warrants that will be sold to bond holders as special assessment bonds when the project is completed. The developer is financing the warrants until the bonds are sold. The property will be sold to owners who will be assessed a portion based on a formula of land ownership. As of the end of field work, there has been no property sold to owners. If no property is sold, the developer will be responsible to pay the special assessments for the bond. If the developer defaults, the special assessments bond holders can seize the property and sell it to pay the bond holders.

The City has a legal action involving the secondary water system. The amount is in mediation and it is anticipated that a settlement will be made. However, the amount is undetermined and may be covered by insurance.

A City dam failed shortly after year end. The contractor will pay most of the costs and the City has agreed to pay some of the costs to reconstruct the dam.

The developer has filed a legal action with the City to recover the costs of the warrants. The case has progressed to a complaint filed in the Third District Court. The City is attempting to resolve the litigation by entering into an agreement that would require property owners to bear the expense of the infrastructure and development.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, property damage, errors, omissions, injuries, and natural disasters. The City has purchased comprehensive general liability insurance. The City pays premiums for general insurance coverage, automobile liability, and personal injury protection.

12. CONTRACTS RECEIVABLE

The capital improvements fund has a note receivable from a sale of land. The note has principal payments due yearly of \$59,869, with interest at 6.50%, and is secured by property sold to a developer. The final payment is due in 2021. The note is offset against deferred revenue in the governmental fund statements. The property was sold to a developer who is developing the property through special assessments. The note receivable is subordinate to the special assessments bond on the same property and may not be recovered in case of default by the developer. There is no allowance for uncollected amounts on this note.

13. CONSTRUCTION WARRANTS, SPECIAL IMPROVEMENT DISTRICT

The City has a special improvement district that is financed by construction warrants from a developer. The warrants will be sold from special improvements bonds when the project is completed. The amount of the warrants issued as of June 30, 2006, was \$3,505,509. The warrants bear interest at 6.25%. The accrued interest on the warrants will become part of the special improvements bonds.

14. INVESTMENT PROPERTY

The City entered into a joint venture with a company to build and maintain a post office building. The City contributed land to the venture and will receive an increase in ownership each year from capitalized earnings. The current investment ownership of the property is 27.53%. The ownership percent increases about 1.40% each year from reinvested earnings. The venture has a contract with the Postal Service for 30 years. The company manages the property and the City is a tenant in common. The City has the option to purchase the property after the 30th anniversary date of the Postal Service. The purchase price will be based on the fair market value of the property obtained by an outside appraiser. The City can cease its interest in the property at any time but the company has the first right of refusal option to purchase the property. The lease payments to the City are \$10,500 per year that are capitalized as an increase in the investment each year.

15. TOTAL COLUMNS

Total columns on the governmental fund statements are captioned "Total" and are presented to facilitate financial analysis. Data in these columns does not represent consolidated information since interfund eliminations have not been made.

16. ASSET IMPAIRMENT

The City has a special improvement district which has roads that have been impaired and need repair to be useable. The cost to repair the roads will be paid by the contractor. The roads are currently listed as work in process. Other assets of the improvement district may be impaired if the improvement district is not operational in the near future. All of their assets are listed as work in process in the financial statements. Currently, the City is in discussion with the developer and may have reached an agreement wherein the City will allow the developer to develop denser housing for the project.

17. ACCOUNTS RECEIVABLE

Accounts receivable for the City's governmental and business-type activities, including the applicable allowance for uncollectible accounts at June 30, 2006, are as follows:

	<u>Accounts Receivable</u>	<u>Less Allowance for Uncollectible</u>	<u>Total</u>	<u>Short Term</u>	<u>Long Term</u>
Governmental activities					
General fund	\$ 269,903	\$ -	\$ 269,903	\$ 247,068	\$ -
Total governmental funds	<u>\$ 269,903</u>	<u>\$ -</u>	<u>\$ 269,903</u>	<u>\$ 247,068</u>	<u>\$ -</u>
Business-type activities					
Water and Sewer fund	<u>\$ 60,398</u>	<u>\$ 3,522</u>	<u>\$ 56,876</u>	<u>\$ 55,076</u>	<u>\$ 1,800</u>

18. FUND TRANSFERS

The general fund transferred \$28,271 to the capital improvements fund for construction projects. The cemetery care fund transferred \$9,230 to the general fund for cemetery maintenance. The special revenue fund transferred \$2,500 to the capital improvement fund for construction projects.

19. NEWLY ISSUED ACCOUNTING STANDARDS

The GASB has issued the following statements that will apply to government reporting in future years:

GASB No. 46 Net assets restricted by enabling legislation

None of these statements appear to have a material impact on the financial statements.

Compliance

The City's general fund balance has exceeded the legal limit.

Subsequent events

The City has received a grant to improve a storm drain project for the City. The amount of the grant is \$110,000. The City has done a land swap with the school district. There was no money exchanged in the swap.

Interlocal agreements

The City has entered into an interlocal agreement with other government entities in Summit County for the allocation of vehicle fees for road construction. The fee is assessed at \$10 per vehicle and the Mayor of the City is part of the board that determines how the funds will be spent.

REQUIRED SUPPLEMENTARY INFORMATION

COALVILLE CITY

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis	Variance with
				Final Budget
REVENUES				
General property taxes	\$ 230,000	\$ 226,000	\$ 251,490	\$ 25,490
Sales, use, and excise taxes	120,000	166,000	185,212	19,212
Franchise taxes	8,400	8,300	8,064	(236)
Licenses	10,000	10,460	10,590	130
Permits	30,200	13,538	15,545	2,007
Interest	12,000	20,365	38,262	17,897
Intergovernmental	66,000	64,234	67,289	3,055
Charges for services	-	7,300	7,735	435
Rents	5,100	5,390	5,390	-
Contributions	-	-	6,832	6,832
Grants	25,731	-	3,850	3,850
Miscellaneous	7,800	4,767	6,024	1,257
Total revenues	<u>515,231</u>	<u>526,354</u>	<u>606,283</u>	<u>79,929</u>
EXPENDITURES				
Administrative	183,470	203,758	202,909	849
Highways and streets	103,300	100,200	99,081	1,119
Cemetery	62,900	63,125	62,355	770
Planning and zoning	66,000	60,000	55,414	4,586
Other departments	-	-	-	-
Debt service	-	-	-	-
Principal	36,000	60,000	50,000	10,000
Interest	13,000	15,000	14,340	660
Total expenditures	<u>464,670</u>	<u>502,083</u>	<u>484,099</u>	<u>17,984</u>
Excess of revenues over expenditures (usage of fund balance)	<u>50,561</u>	<u>24,271</u>	<u>122,184</u>	<u>97,913</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(54,561)	(28,271)	(28,271)	-
Transfers in	4,000	4,000	9,230	5,230
Total other financing sources	<u>(50,561)</u>	<u>(24,271)</u>	<u>(19,041)</u>	<u>5,230</u>
Net change in fund balance	-	-	103,143	103,143
FUND BALANCE, JULY 1, 2005	<u>205,656</u>	<u>175,956</u>	<u>195,741</u>	<u>19,785</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 205,656</u>	<u>\$ 175,956</u>	<u>\$ 298,884</u>	<u>\$ 122,928</u>

SUPPLEMENTARY INFORMATION

COALVILLE CITY

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	<u>Permanent Fund Cemetery Care</u>	<u>Special Revenue Impact Fees</u>	<u>Totals</u>
ASSETS			
Receivables	\$ -	\$ -	\$ -
Cash	<u>216,341</u>	<u>157,985</u>	<u>374,326</u>
Total assets	<u>\$ 216,341</u>	<u>\$ 157,985</u>	<u>\$ 374,326</u>
 Fund balances			
Reserved	<u>\$ 216,341</u>	<u>\$ 157,985</u>	<u>\$ 374,326</u>
Total fund balance	<u>\$ 216,341</u>	<u>\$ 157,985</u>	<u>\$ 374,326</u>

COALVILLE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2006

	Permanent Fund Cemetery Care	Special Revenue Impact Fees	Totals
REVENUES			
Charges for services	\$ 329	\$ 5,769	\$ 6,098
Interest	9,230	6,585	15,815
Total revenues	<u>9,559</u>	<u>12,354</u>	<u>21,913</u>
EXPENDITURES			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>9,559</u>	<u>12,354</u>	<u>21,913</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(9,230)	(2,500)	(11,730)
Total other financing sources (uses)	<u>(9,230)</u>	<u>-</u>	<u>(9,230)</u>
Revenues and other sources over expenditures and other uses	329	9,854	12,683
FUND BALANCE, JULY 1, 2005	<u>216,012</u>	<u>148,131</u>	<u>382,248</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 216,341</u>	<u>\$ 157,985</u>	<u>\$ 394,931</u>

COALVILLE CITY

Budgetary Comparison Schedules Special Revenue Fund - Nonmajor Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary	(unfavorable)
			Basis	Variance with
				Final Budget
REVENUES				
Charges for services	\$ 53,000	\$ 2,742	\$ 5,769	\$ 3,027
Interest	2,000	-	6,585	6,585
Total revenues	55,000	2,742	12,354	9,612
EXPENDITURES				
Capital outlay	121,630	-	-	-
Total expenditures	121,630	-	-	-
Excess revenues over expenditures	(66,630)	2,742	12,354	9,612
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,500)	(2,500)	-
Revenue and other sources over (under) expenditures and other uses	(66,630)	242	9,854	9,612
FUND BALANCE, JULY 1, 2005	102,766	98,685	148,131	49,446
FUND BALANCE, JUNE 30, 2006	\$ 36,136	\$ 98,927	\$ 157,985	\$ 59,058

COALVILLE CITY

Budgetary Comparison Schedules Permanent Fund (Cemetery Care Fund) Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis	Variance with
				Final Budget
REVENUES				
Interest	\$ 4,000	\$ 4,000	\$ 9,230	\$ 5,230
Charges for services	-	-	329	329
Total revenues	4,000	4,000	9,559	5,559
Excess of revenues over expenditures	4,000	4,000	9,559	5,559
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(9,230)	(5,230)
Net change in fund balance	-	-	329	329
FUND BALANCE, JULY 1, 2005	211,993	211,493	216,012	-
FUND BALANCE, JUNE 30, 2006	\$ 211,993	\$ 211,493	\$ 216,341	\$ 329

COALVILLE CITY

Budgetary Comparison Schedules Capital Improvement Fund Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis	Variance with
				Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	70,369	70,369	70,379	10
Total revenues	70,369	70,369	70,379	10
EXPENDITURES				
Debt service principal	-	-	-	-
Debt Service Interest	-	-	-	-
Capital outlay	197,000	300,000	251,484	48,516
Total expenditures	197,000	300,000	251,484	48,516
Excess of revenues over expenditures (usage of fund balance)	(126,631)	(229,631)	(181,105)	48,526
OTHER FINANCING SOURCES				
Transfers in	54,561	28,271	30,771	2,500
Total other financing sources	54,561	28,271	30,771	2,500
Net change in fund balance	(72,070)	(201,360)	(150,334)	51,026
FUND BALANCE, JULY 1, 2005	1,005,510	1,125,107	1,139,036	43,928
FUND BALANCE, JUNE 30, 2006	\$ 933,440	\$ 923,747	\$ 988,702	\$ 94,954



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Duane C. Karren, CPA

R. Ted Stagg, CPA

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Danny L. Hendrix, CPA

Terry L. Green, CPA

G. John Runia, CPA

Robert L. Archuleta, CPA

Tim C. Rees, CPA

AUDITORS' OPINION ON STATE COMPLIANCE

We have audited the basic financial statements of Coalville City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. Our audit included test work on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Impact Fees

Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
C Road Funds
Uniform Building Code Standards

The City did not receive any major or nonmajor state grants during the year ended June 30, 2006. The management of Coalville City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Coalville City complied, in all material respects, with the general compliance requirements identified above for year ended June 30, 2006.

Karren Hendrix Stagg Allen & Company

Karren, Hendrix, Stagg, Allen & Company
September 20, 2006

CERTIFIED PUBLIC ACCOUNTANTS



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

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Ray H. Allen, CPA

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Robert L. Archuleta, CPA

Timothy J. Rees, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
Coalville City

We have audited the basic financial statements of Coalville City as of and for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Coalville City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Coalville City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Coalville City in a separate letter dated September 20, 2006.

This report is intended solely for the information and use of the mayor and city council, management, others within the organization, and various federal and state funding and auditing agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Karren Hendrix Stagg Allen & Company

Karren, Hendrix, Stagg, Allen & Company
September 20, 2006

CERTIFIED PUBLIC ACCOUNTANTS

COALVILLE CITY

Schedule of Impact Fees

For the year ended June 30, 2006

Coalville City collects park, water, sewer, and road impact fees. The following is a recap of the impact fees outstanding by year of collection:

<u>Year Collected</u>	<u>Park</u>	<u>Water</u>	<u>Sewer</u>	<u>Road</u>
2002-2003	\$ 3,122	\$ -	\$ -	\$ -
2003-2004	9,904	11,290	17,341	3,401
2004-2005	13,618	20,196	24,266	5,379
2005-2006	<u>1,238</u>	<u>1,836</u>	<u>2,206</u>	<u>489</u>
Total	<u>\$ 27,882</u>	<u>\$ 33,322</u>	<u>\$ 43,813</u>	<u>\$ 9,269</u>

COALVILLE CITY

Schedule of Impact Fees, Continued For the year ended June 30, 2006

The following capital projects are planned to use the impact fees shown on the previous page:

<u>Department and Program</u>		<u>2007 Cost</u>	<u>2008 Cost</u>	<u>Total Cost</u>
PROT	School soccer field park	\$ -	\$ 6,382	\$ 6,382
PROT	Cemetery exp. irrigation system	15,000	-	15,000
PROT	Impact fee ordinance update	6,500	-	6,500
CWF	Secondary water system	-	1,822	1,822
CWF	Water right acquisitions	25,000	-	25,000
CWF	Impact fee ordinance update	6,500	-	6,500
SSF	Walker View Estates, storm drainage improvements	40,000	-	40,000
SSF	Sewer system upgrade & expansion	3,813	-	3,813
RF	Sidewalk Improvement	1,000	-	1,000
RF	Street improvements	1,000	-	1,000
RF	Traffic control devices	2,000	-	2,000
RF	Impact fee ordinance update	5,269	-	5,269
Total fiscal year project costs		<u>\$ 106,082</u>	<u>\$ 8,204</u>	<u>\$ 114,286</u>

Impact fee abbreviation:

PROT	Parks, recreation facilities, open space and trails	\$ 33,881
CWF	Culinary water facilities	39,851
SSF	Sanitary sewer facilities	50,248
RF	Roadway facilities	10,931
		<u>\$ 134,910</u>



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To the Coalville City Council
Coalville Utah

In planning and performing our audit of the financial statements of Coalville City, for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Coalville City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Finding

The city did not count the inventory of the water and sewer at the year end.

Recommendation

We recommend the city count the inventory at year end in order to determine the correct inventory balance.

City Response

The city will develop a system to count the inventory at year end

The city has some state compliance findings.

Finding

The city did not submit their building inspection report on time.

Recommendation

We recommend the city develop a system to properly complete and submit the building report on time.

City response

The city had a change in clerks during the year and feel the problem has been solved.

Finding

The city treasure is not adequately bonded

Recommendation

We recommend the city calculate the bonding requirement each budget and obtain the necessary bond.

CERTIFIED PUBLIC ACCOUNTANTS

City response

The city will review the bonding requirement each budget cycle.

This report is intended solely for the information and use of City Council, management, and Utah State Auditor and

Karron Hendon Stager Allen & Company

September 20, 2006